DOCUMENT RESUME

ED 304 897 FL 017 854

AUTHOR Laribee, Stephen F.
TITLE International Accounting and the Accounting Educator.
PUB DATE Apr 88
NOTE 18p.; In: Proceedings of the Seventh Annual Eastern Michigan University Conference on Languages for Business and the Professions (see FL 017 839).
PUB TYPE Reports - Evaluative/Feasibility (142) -- Viewpoints (120) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC01 Plus Postage.
DESCRIPTORS *Accounting; Accreditation (Institutions); Accrediting Agencies; Agency Role; *Business Administration Education; Curriculum Design; *Curriculum Development; *Global Approach; Higher Education; International Trade
IDENTIFIERS *American Assembly Collegiate Schools of Business

ABSTRACT

The American Assembly of Collegiate Schools of Business (AACSB) has been instrumental in internationalizing the accounting curriculum by means of accreditation requirements and standards. Colleges and universities have met the AACSB requirements either by providing separate international accounting courses or by integrating international topics into existing courses. A number of studies have addressed the question of what topics should be covered in international accounting. The key topics to be covered in an upper level course include: (1) comparative practices, (2) foreign currency translation, (3) accounting for inflation, (4) financial reporting and analyzing foreign financial statements, (5) conceptual development, (6) managerial accounting complexities in an international setting, and (7) auditing. Most departments are currently covering the topics in existing courses. The idea of internationalizing the accounting curriculum through traditional accounting courses has the advantages of demonstrating that foreign accounting faces challenges similar to those of the United States, and of requiring no new courses or faculty. However, this approach is not well supported by faculty. Offering a separate course in international accounting has the advantage of providing in-depth coverage and requiring only one faculty member to teach the course. (MSE)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED304897

In proceedings of the Seventh Annual Eastern Michigan University Conference on Languages for Business and the Professions.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

G. VOGHT

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

✓ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

INTERNATIONAL ACCOUNTING AND THE ACCOUNTING EDUCATOR

by

Dr. Stephen F. Laribee

Eastern Michigan University
Ypsilanti, Michigan 48197

FL017854

INTERNATIONAL ACCOUNTING AND THE ACCOUNTING EDUCATOR

Stephen F. Laribee
Eastern Michigan University

ABSTRACT

This paper presents three topics: (1) the pressure on accounting departments to internationalize their accounting curriculum; (2) the international topics that should be included in the internationalization of the accounting curriculum; and (3) a discussion of three ways in which an accounting department can design and incorporate the international elements into their accounting curriculum.

INTRODUCTION

When I begin a principles of accounting class, I tell my students they will be learning two concepts: (1) accounting and (2) a new language. Accounting is the language of business. A language that is very important to their business education, regardless if they plan to major in accounting or not.

They will discover that accounting is an art, not a science. That accountants record the financial information of a business entity based upon their perception of the event. That perception will vary based upon the circumstance of the event and the environment in which they operate. As a result, the accounting process is continually changing.

The period since the late 1950's has seen a rapid growth in the number of U.S. enterprises operating in a multinational setting. The accounting process for these firms was responding to changes at the national and international level. The outcome is that the accounting process often appears to be failing to present a true picture of the financial operations of a multinational entity.

Our problem is that accounting is still the language of business, but that language is now international and our students do not know how to speak it.

PRESSURE TO INTERNATIONALIZE ACCOUNTING CURRICULUM

The American Assembly of Collegiate Schools of Business

(AACSB) in 1974 forced colleges to include an international perspective in their curriculum in order to meet their accreditation standards. The AACSB does not specify how a College is to carry out this internationalization of their curriculum.

The American Accounting Association in 1978, also recommended that the accounting curriculum be internationalized. The Educational Committee of the International Section felt that this should be carried out by (1) introducing international accounting into the principles course, (2) offering an intermediate level course in international accounting as an elective, and (3) creating a graduate level major in international accounting or business.

Two approaches have appeared in meeting the above objectives. One approach has followed the AAA recommendation of offering a separate international course that may or may not be required of all majors. The other approach is to integrate the international topics into existing courses.

The AACSB has had the major influence in bringing about the internationalization of the accounting curriculum because of their accreditation standards. A study of AACSB accredited accounting programs showed the following (Sherman, 1987, p. 261).

Table 1 - How Do You Satisfy AACSB's Worldwide Dimension Requirement?

By International Accounting courses(s)	2.4%
By inclusion of international topics in:	
(1) Other Accounting Courses	85.6%
(2) Other Required Non-Accounting Courses	51.2%
(3) Other Elective Non-Accounting Courses	30.4%
Do not require international topics	4.0%

Sherman concluded that AACSB accredited accounting departments were not meeting the requirement by offering a separate international accounting course, but by incorporating international topics into traditional courses.

INTERNATIONAL ACCOUNTING TOPICS

If an accounting department were to internationalize their accounting curriculum, how would they go about determining

the topics that should be covered? Fortunately we have many studies on which topics should be covered in international accounting.

Sherman ranked the importances of international topics from his study of AACSB accredited accounting programs. He then compared his ranking with the studies done by Agami, 1983; Mintz, 1980; Burns, 1979; Dascher, Smith, and Strawser, 1973. He found that the various studies had different rankings as to the importances of topics, but there is a positive correlation between the studies as to the relative importance of the topics.

The following is his ranking of the international topics in terms of importance between the various studies (Sherman, 1987, pp. 264-265).

****

Table 2 - Rankings of Topics in Terms of Importance
A Comparison of Research Findings

Topic	AACSB Survey	Agami ('83)	Burns ('79)	Mintz ('80)	Dascher('73) MNE	Dascher('73) Univ.
Foreign Currency Translation	1	1	2	2	1	1
Accounting for Inflation	2	5	4	4	11	2
Controlling Operations and Performance of Subsidiaries	3	6	14	11	8	12
Transfer Prices	4	11	3	7	6	7
International Accounting Standards	5	2	7	6	NR	NR
Consolidations	6	14	10	5	NR	NR
Comparative Standards and Harmonization of Accounting Standards	7	4	1	1	3	4
Auditing and Internationalization of the Profession	8	15	13	12	14	5*
Accounting Standards in North America	9	20	NR	NR	NR	NR

Table 2 - Continued

Topic	AACSB Survey	Agami ('83)	Burns ('79)	Mintz ('80)	Dascher MNE	('73) Univ.
Reporting and Disclosure Problems of MNEs	10	7	5	3	NR	NR
Taxation	11	3	11	14	2	8
Government Regulation	12	22	NR	NR	20	18*
EEC Accounting Standards Practices	13	8	NR	NR	15*	15*
Cost/Benefits of Disclosure	14	28	NR	NR	NR	NR
MIS for MNE	15	16	NR	NR	19	13*
Internal Auditing	16*	30	NR	NR	7	18*
Risk Management	16*	10	6	8	5	13*
Ethical Conduct of MNEs	18	18	NR	NR	NR	NR
Uniform Accounting System	19	24	NR	NR	NR	NR
Financing the MNE	20	9	NR	NR	9	15*
Accounting and Economic Planning	21	27	NR	NR	NR	NR
Managing MNE	22	26	NR	NR	15*	20
Accounting Standards in Pacific Rim	23	19	NR	NR	NR	NR
Hidden Reserves	24	29	NR	NR	NR	NR
Social Responsibility Accounting	25	13	15	16	NR	NR
Branch Accounting	26	25	NR	NR	NR	NR
Accounting in Developing Countries	27	12	NR	NR	15*	17
Accounting Standards in Central America	28	21	NR	NR	NR	NR

Table 2 - Continued

Topic	AACSB Survey	Agami ('83)	Burns ('79)	Mintz ('80)	Dascher('73) MNE	Dascher('73) Univ.
Accounting in Socialist and Communist Countries	29	17	NR	NR	NR	NR
Company Laws	30	23	NR	NR	NR	NR
International Accounting History	NR	NR	9*	8	NR	NR
Patterns in Accounting Development	NR	NR	NR	NR	10	3
Non-Accounting Business Topics	NR	NR	9	10	NR	NR
Bases for Financial Reporting Authority	NR	NR	NR	NR	4	5*

*indicates a tie between or among topics.
NR indicates that the topic was not ranked by that study.
Dascher's rankings reported for the opinions of both Controllers of Multinational Enterprises (MNE) and Academics (University).

****

INTERNATIONALIZING THE ACCOUNTING CURRICULUM

The approach most accounting departments are following is to cover the international topic in their existing accounting courses. If we use the above list as the basic coverage in the international accounting field, where would these topic best be covered in the traditional accounting courses? Table 3 identifies which of the existing accounting courses could be expanded to cover the different international topics.

****

Table 3 - International Topics to be Covered in Traditional Accounting Course (P - primary course to cover the topic; S - secondary course to introduce or cover the topic)

Topic	Pri.	Mgt.	Int-med.	Adv. Fin.	Adv. Cost	Adv. Aud.	Tax
Foreign Currency Translation			S	P			

Table 3 - Continued

Topic	Pri.	Mgt.	Int-med.	Adv. Fin.	Adv. Cost	Aud.	Tax
Accounting for Inflation	S		P	S			
Controlling Operations and Performance of Subsidiaries		S		S	P		
Transfer Prices		S		S	P		
International Accounting Standards	S		S	P			
Consolidations				P			
Comparative Standards and Harmonization of Accounting Standards	S		P	P			
Auditing and Internationalization of the Profession						P	
Accounting Standards in North America	S		P	P		S	
Reporting and Disclosure Problems of MNEs				S		P	
Taxation							P
Government Regulation			P	P		S	
EEC Accounting Standards Practices	S			P			
Cost/Benefits of Disclosure		P	S			S	
MIS for MNE					P		
Internal Auditing						P	
Risk Management		S		S	P	S	
Ethical Conduct of MNEs		S				P	

Table 3 - Continued

Topic	Pri.	Mgt.	Int-med.	Adv. Fin.	Adv. Cost	Aud.	Tax
Uniform Accounting System			P	P			
Financing the MNE				P			
Accounting and Economic Planning	S	P			S		
Managing MNE					P		
Accounting Standards in Pacific Rim	S		S				
Hidden Reserves			P	S		S	
Social Responsibility Accounting				S			
Branch Accounting				P			
Accounting in Developing Countries				S			
Accounting Standards in Central America				S			
Accounting in Socialist and Communist Countries				S			
Company Laws			S	S		S	
International Accounting History			S	S			
Patterns in Accounting Development				S			
Non-Accounting Business Topics				S			
Bases for Financial Reporting Authority			S			P	

Key to Course Abbreviations in Table 3
- Pri. - Principles of Accounting or Introduction to Accounting.
- Mgt. - Management Accounting or Cost Accounting.
- Intmed. - Intermediate Accounting.
- Adv. Fin. - Advanced Financial Accounting.

Adv. Cost - Advanced Cost Accounting.
Aud. - Auditing.
Tax - Taxation.

****

The idea of internationalizing the accounting curriculum through traditional accounting courses has great appeal. Many of our domestic accounting problems are similar to those faced by foreign accountants. By integrating the domestic and international accounting topics the accounting students would learn that international accounting is not separate and distinct from ours.

An additional advantage is that the department does not have to create a new course and deal with the problems associated with getting it into the curriculum. They also will not have to recruit a new faculty member to teach it if they don't currently have a qualified person.

The textbooks we have available to use in our traditional accounting course do not have adequate coverage in the international topics. It will be dependent upon the department and its faculty to fit this new material into their courses. The faculty will have to put together appropriate materials for their individual courses. This material could be outside readings and/or coursepackets that are sold to the students as a supplementary to their text.

The department must determine if this additional material will overtax its students and overwork its faculty who both are facing accounting information overload in the traditional courses. The department must also determine if its existing faculty have a strong enough interest in international accounting to adequately educate themselves in the topics they will be required to integrate into their courses. If the department's faculty does not support this idea, having it as a requirement does not mean it will be uniformly carried out.

Sherman in his study found that 85.6% of the accounting departments were satisfying the AACSB's requirement by including the international topics in their other required accounting courses. He also found that a majority of the above international topics were not covered in any course. Table 4 lists the topics his study showed were being covered in the traditional accounting courses.

Table 4 - Undergraduate Coverage of International Topics
(X is the course in which the topic is most frequently covered)

Topic	Pri.	Mgt.	Int-med.	Adv. Fin.	Adv. Cost	Aud.	Tax
Foreign Currency Translation				X			
Accounting for Inflation			X				
Controlling Operations and Performance of Subsidiaries					X		
Transfer Prices					X		
Consolidations				X			
Auditing and Internationalization of the Profession						X	
Accounting Standards in North America			X				
Taxation							X
Government Regulation				X			
Cost/Benefits of Disclosure		X					
Internal Auditing						X	
Branch Accounting				X			

INTERNATIONAL ACCOUNTING COURSE

The other approach to internationalizing the accounting curriculum is to create a separate course on international accounting.

Several question must be answered about this course. Will this course be offered to all interested students, students with international background, student with some accounting background, or only to accounting majors? Will this course be required of the accounting majors? What level will this course be offered at? If the department has graduate

students, will the course be open to both undergraduates and graduate students? How often will this course be offered?

UPPER LEVEL INTERNATIONAL ACCOUNTING COURSE

The common approach is to develop a senior/graduate level course in international accounting. The students should have taken most of their accounting course before enrolling in this course. The instructor can then assume that they all have a background in accounting theory, auditing, cost and tax. This common background would be necessary for them to understand the international accounting issues that are associated with the different international business practices. They will also have been prepared for the advance level of accounting principles and practices that will be need for them to understand the theory and work the problems of most of the international accounting issues.

The advantage of this approach is that it may require only one qualified faculty member to teach it. The department would then have a longer time period to educate or sensitize its existing faculty to the international perspective and the ultimate goal of integrating the traditional courses. This course would be able to give the international topics the necessary indepth coverage that is needed for the students to investigate, discussion, and analyzes them.

The following is a proposed outline for a senior/graduate level course in international accounting.

Purpose of the Course

The purpose of this course is to introduce accounting students to the emerging field of international accounting. Special attention is devoted to examination of the environmental factors affecting accounting concepts and standards in an international setting; financial accounting issues such as external financial reporting for multinational firms and foreign currently translation and finally financial and managerial planning and control issues for a multinational firm.

Course Contents

The following are the key topics which will be covered in this course.

Conceptual Development
- Environmental Influences on Accounting
- Special Accounting Problems for Multinational Enterprises
- International Accounting Development, issues and

Future Directions
- Principles Generally Accepted in the United States vs. those Accepted Elsewhere

Comparative Practices
- Comparative International Accounting
- Accounting Policy Formulation in Different Countries - Financial Regulation of Corporate Financial Disclosure in Several Selected Countries (United State, United Kingdom, Brazil, France, German, Japan, Netherlands, Switzerland)

Foreign Currency Translation
- Currency Translation and Analysis
- Financial Accounting Standard No 8 and its impact on Financial Management Practices
- Financial Accounting Standard No. 52
- Evaluation of Statements No. 8 and No. 52

Accounting For Inflation
- Worldwide Inflation and Financial Reporting
- Foreign Inflation and Management Decision
- Application of Inflation Accounting in Selected Countries

Financial Reporting and Analyzing Foreign Financial Statements
- Gain and Loss from Foreign Exchange Rate Changes
- Consolidation Problem

Managerial Accounting Complexities in International Setting
- Transfer Pricing and Costing
- Control and Performance Evaluation in Multinationals

Auditing
- Internal Auditing
- External Auditing
- International Harmonization of Auditing Standards

INTERMEDIATE LEVEL INTERNATIONAL ACCOUNTING COURSE

The American Accounting Association's Educational Committee of the International Section recommended in 1978, that an intermediate level course in international accounting be offered as an elective. We are not aware of any accounting department which has followed this recommendation. In fact Sherman found that only 2.4% of the accounting departments were satisfying the AACSB's worldwide dimension requirement by offering an international accounting course (p. 261).

Why offer an international accounting course that is open to

all interested students who have limited accounting background? All business students are required to take the principles of accounting course because it has been previously determined that our students education needs to include a knowledge of the language of business. As I have pointed out in the beginning of this paper, this language is international and our students do not understand it. This course will given them that necessary knowledge.

Purpose of the Course

The purpose of this course is to introduce students to the emerging field of international accounting. The prerequisite for this course is the Principles of Accounting course. This course is open to all students in the College of Business. It will count as an elective accounting course for the student who takes it.

Special attention is devoted to examination of the environmental factors affecting accounting concepts and standards in an international setting; financial accounting issues such as external financial reporting for multinational firms and foreign currency translation and finally financial and managerial planning and control issues for a multinational firm.

The following is a course outline for a intermediate level international accounting course. This course can be taken by any business major that has completed the principles of accounting course(s). It should be required of all accounting majors.

Course Contents

The following are the key topics which will be covered in this course.

An International Point of View on Financial Accounting
- International Development of Accounting Procedures
- International Development of Accounting Profession
- International Business and Accounting Standards

Conceptual Development
- Environmental Influences on Accounting
- Special Accounting Problems for Multinational Enterprises
- International Accounting Development, Issues and Future Directions
- Principles Generally Accepted in the United States vs. Those Accepted Elsewhere

Comparative Practices
- Comparative International Accounting
- Harmonization of International Accounting Systems and

Standards
- Accounting Policy Formulation in Different Countries
- British-American Model
- Continental Model
- South American Model
- Accounting in Communist Countries
- Financial Regulation of Corporate Financial Disclosure in Several Selected Countries

Foreign Currency Transactions, Translation, and Risk Management
- Foreign Exchange Markets
- Global Coordination of Foreign Exchange
- Foreign Currency Transactions
- Foreign Currency Translation
- Foreign Currency and Risk Management

Accounting For Inflation
- Worldwide Inflation and Financial Reporting
- Foreign Inflation and Management Decision
- Application of Inflation Accounting in Selected Countries

Financial Reporting and Analyzing Foreign Financial Statements
- Gain and Loss from Foreign Exchange Rate Changes
- Consolidation Problem
- Statement Format
- Cost and Benefits of Disclosure
- Foreign Investment Analysis

Managerial Accounting Complexities in International Setting
- Transfer Pricing and Costing
- Control and Performance Evaluation in Multinationals
- Financing of Multinational Enterprises
- Governmental Regulation

Auditing
- Internal Auditing
- External Auditing
- International Harmonization of Auditing Standards

International Taxation
- Tax System Theory
- U.S. Taxation of Multinational Enterprises
- Foreign Taxation of Multinational Enterprises

Management Information Systems for Multinational Enterprises
- Managing the Multinational Enterprise
- Accounting and Economic Planning
- Risk Management
- Social Responsibility Accounting
- Ethical Conduct (Foreign Corrupt Practices Act)
- Legal Environment

We see some potential problems in offering this course to students who have taken only the Principles of Accounting course. First, these students will traditionally have little, if any, background in the business practices of a multinational firm. Depending on how the course is taught, this background may be necessary for them to understand the international accounting issues that are associated with these practices. Second, the Principles course does not prepare them for the advance level of accounting principles and practices that may be needed for them to understand the theory and work the problems of some of the international accounting issues. Third, international accounting texts seem to be written for the senior/graduate level accounting student. If we were to use one of these texts as a basis for the course, the students may have trouble understanding it.

CONCLUSION

The internationalization of our accounting curriculum is being forced on the accounting educator. The question is not if we should do it, but how we will do it.

Sherman's study of AACSB's accredited accounting departments show that most of them are doing it by inclusion of the international topics in existing accounting courses, other required non-accounting courses, or other elective non-accounting courses. It is my opinion that the accounting departments are playing lip service to the international accounting problem. When asked if they are meeting this challenge, they have a easy answer, we are doing it through our traditional accounting courses and/or through other non-accounting courses. Close examination of the topics they are covering shows that few of the international topics covered in this paper are being intergrated into the existing courses.

Feedback I have received from my faculty has told me that they are not supportive of covering the international accounting topics in their traditional accounting courses. They feel that they are overworked now in trying to keep current with the domestic accounting information. We should fully realize that if our accounting faculty do not support this idea, having it as a requirement does not mean it will be uniformly carried out.

The knowledge of international accounting is not a subject that should only be given to our accounting majors. The principles of accounting is a core requirement for the business major because it is clearly recognized that all business students need to know the language of business. This language has become internationalized and it is equally

important that all business students have an understanding of it.

I believe that by offering an intermediate level international accounting course, we would not only be giving our majors needed information, but we would also be offering a very useful course to the business student. Our goal is to educate all business students about accounting and the language of business.

This intermediate level international accounting course will familiarize our students with international accounting. Our ultimate goal is to sensitize and educate our existing faculty into integrating the international accounting topics into their traditional courses. The international accounting course would be used as the base course for our students knowledge of this topic.

REFERENCES

Agami, A.M. "The International Accounting Course: State of the Art." Journal of Accounting Education, Spring 1983.

Burns, J.O. "A Study of International Accounting Education in the United States." International Journal of Accounting Education and Research, Fall 1979.

Dascher, P.E., Smith, C.H., & Strawser, R.H. "Accounting Curriculum Implications of the Multinational Corporation." International Journal of Accounting Education and Research, Fall 1973.

Mintz, S.M. "Internationalization of the Accounting Curriculum." International Journal of Accounting Education and Research, Fall, 1980.

Muis, J.W. "Accounting Standard-Setting: The Pit and the Pendulum." Accounting and Business Research, Autumn, 1977.

Scott, G.M., & Troberg, P. Eighty-Eight International Accounting Problems in Rank of Importance: A Delphi Evaluation. Sarasota, FL: AAA.

Sherman, W.R. "Internationalizing the Accounting Curriculum." Journal of Accounting Education, Fall 1987.

SUGGESTED TEXTS

Arpan, J. and D. Al Hashim. International Dimensions of Accounting, Kent Publishing Company, 1984.

Arpan, J. S. and Radebaugh, L. H. International Accounting and Multinational Enterprises, (2nd ed.), John Wiley and Son, New York, 1985.

Choi, F.D.S. and Mueller, G.G. International Accounting, Prentice-Hall, Inc, Englewood Cliffs, New Jersey, 1984.

Evans, T.G., Taylor, M.E., and Holzmann, O. International Accounting and Reporting, Macmillan, New York, 1985.

Fox, S. and Rueschloff, N.G. Principles of International Accounting, Austin Press, Austin, Texas, 1986.

Mueller, G.G., Gernon, H., and Meek, G. Accounting: An International Perspective, Irwin, Homewood, Illinois, 1987. An International Perspective, Irwin, Homewood, Illinois.